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HARVEY WOODS LIMITED

Harvey Woods

JOCKEY® BRAND

ANNUAL REPORT 1972

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Harvey Woods

JOCKEY® BRAND

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TO THE SHAREHOLDERS

Your Directors submit herewith the Annual Report of the Consolidated Operations of your Company for the year ended December 31, 1972.

Earnings

The Net Loss for the year of $261,000 compares with a Net Loss in 1971 of $192,000 after provision for depreciation of $191,000 in 1972 and $208,000 in 1971. In connection with income taxes payable, your attention is drawn to Note No. 4 to the Consolidated Financial Statements.

1972 Operations

The 1972 results were very disappointing for a number of reasons:

- Sales were 4.2% below last year due to production problems.
- High labour turnover caused increased indirect labour costs, loss of production and production inefficiency.
- Increased raw material costs including the dramatic rise in wool prices.
- Poor quality raw material supplies meant serious production problems and delays.

1973 Prospects

Substantially improved operating results are forecast for 1973. Increased selling prices will be in effect and lower unit costs as a result of three major programmes initiated in 1972:

1. The material utilization study in the Underwear Division through pattern engineering will improve materials control.
2. The training programme will increase the earnings and productivity of operators and improve supervision in the plants.
3. A thorough review of all staffing and overhead items. A number of organizational changes have been made and total overhead has dropped by more than 6% on an annual basis - 4% to be realized in 1973.

Working Capital

The Consolidated Statement of Working Capital details the source and application of funds.

Long Term Debt

The term loans with the Company's bankers, which are insured as to repayment to the extent of 90% by the General Adjustment Assistance Board are presently being renegotiated. Reference should be made to Note No. 1 to the Consolidated Financial Statements.

Subsidiaries

Both subsidiary companies showed improved results, primarily as the result of increased export sales to the U.S.A. and Europe. Research and development is continuing with Federal Government Industrial Research Assistance Program and Program For The Advancement Of Industrial Technology grants. New products resulting from these programmes are expected to improve operations further in 1973.

General

Early in 1973 N. Douglas Cook retired as General Manager and Director. During his 41 years service with the Company he was a valued member of the marketing and management team.

Your Directors wish to record appreciation of the support and co-operation of all employees.

On Behalf of the Board of Directors,

J. D. Woods,
President.

Toronto, Ontario.
May 29, 1973.

Harvey Woods Limited
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated

DECEMBER 31, 1972 (with compar

Assets

		in thousands of dollars	
		1972	1971
Current	Cash	$ 5	$ 2
	Accounts receivable	2,123	2,144
	Inventories at the lower of cost and net realizable value	3,631	3,621
	Prepaid expenses	225	161
	Total current assets	5,984	5,928
Fixed-at cost	Land	40	40
	Buildings	884	869
	Machinery, equipment, furniture and fixtures and cars and trucks	3,075	3,028
		3,999	3,937
	Less accumulated depreciation	2,946	2,804
		1,053	1,133
	Leasehold improvements at cost less accumulated amortization	25	28
	Total fixed assets	1,078	1,161
Total		$7,062	$7,089

On behalf of the Board J. D. Woods, Director — John A. Young, Director

(see accompanying notes to the consolidated financial statements)

alance Sheet

ve amounts at December 31, 1971)

Liabilities

		in thousands of dollars 1972	1971
Current	Due to bankers - demand loan (note 1)	$2,640	$2,297
	Accounts payable and accrued charges	930	944
	Sales and other taxes payable	189	182
	Portion of long term debt due within one year	791	359
	Total current liabilities	4,550	3,782
Long Term	Due to bankers - term loans (note 1)	706	763
	8½% first mortgage bonds, due July 15, 1981 (note 2)	296	331
	8½% second mortgage bonds, due July 15, 1981 (note 2)	472	508
	Other	25	–
		1,499	1,602
	Less payments due within one year included with current liabilities	791	359
	Total long term liabilities	708	1,243
	Deferred taxes	5	–
	Minority shareholders' interest	15	19
Shareholders' equity	Capital (note 3) – Authorized: 500,000 Class A shares of no par value entitled to a fixed cumulative preferential dividend of 40¢ per share per annum; 700,000 Class B shares of no par value		
Issued and fully paid	329,512 Class A shares; 700,000 Class B shares	1,938	1,938
	Deficit (retained earnings)	154	(107)
		1,784	2,045
Total		$7,062	$7,089

AUDITORS' REPORT
To the Shareholders of Harvey Woods Limited

We have examined the consolidated balance sheet of Harvey Woods Limited as at December 31, 1972 and the consolidated statements of income, deficit and working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada
February 16, 1973.

CLARKSON, GORDON & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1972 (with comparative amounts for 1971)

in thousands of dollars

	1972	*1971*
Sales	$10,867	$11,349
Costs and expenses		
Cost of sales - excluding depreciation and amortization	8,415	8,734
Marketing, general administration and shipping expenses	2,387	2,466
Depreciation and amortization	191	208
Interest on long term debt	121	110
	11,114	11,518
Net loss before taxes on income and minority interest	247	169
Income taxes (note 4)	12	13
Net loss for the year before minority interest	259	182
Minority interest in income of subsidiary company	2	10
Net loss for the year	$ 261	$ 192
Loss per Class "B" shares outstanding after allocating annual cumulative dividends to Class "A" shares	$ .56	$ .46

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended December 31, 1972 (with comparative amounts for 1971)

	1972	*1971*
Balance, beginning of year (at credit)	$ (107)	$ (299)
Net loss for the year	261	192
Balance, end of year (at credit)	$ 154	$ (107)

CONSOLIDATED STATEMENT OF WORKING CAPITAL

For the year ended December 31, 1972 (with comparative amounts for 1971)

Application of working capital

	1972	*1971*
Operations —	$ 65	$ (16)
Decrease (increase) in minority interest in subsidiary company	4	(8)
Increase in portion of long term debt due within one year	432	49
Purchase of fixed assets (net)	108	71
Payment of long term debt (net)	103	166
Decrease in working capital	712	262
Working capital, beginning of year	2,146	2,408
Working capital, end of year	$ 1,434	$ 2,146

1. Bank Indebtedness

As security for bank indebtedness, the company has given to its bankers an assignment of accounts receivable, security under Section 88 of the Bank Act and a demand debenture for $4,000,000 which is secured by fixed and floating charges. At December 31, 1972 bank indebtness consisted of a demand loan of $2,640,000 and two term loans in the aggregate amount of $706,000. The term loans have been insured as to repayment to the extent of 90% by the General Adjustment Assistance Board (GAAB) and bear interest as to $535,000 principal amount at a rate of ¾% above the bank's prime rate and as to $171,000 principal amount at a rate of 1¾% above the bank's prime rate. The principal amount of the term loans was payable on the first such loan as to $231,000 in 1972 and as to the balance in 1973 and on the second loan as to $28,500 semi-annually to July 1975. However, prior to the due date for the first of such payments the company commenced negotiations with its bankers and GAAB for a refinancing of the two term loans and an extension of the dates for principal payments and it was agreed that the date for payment of the amounts payable in 1972 would be extended to February 2, 1973. It has subsequently been agreed that the said sum of $706,000 will be payable thirty days after demand and that if certain conditions are fulfilled the term of these loans will be extended. The said sum is accordingly shown as part of the current liabilities of the company.

2. Long term debt

In addition to term bank loans described in note 1, the long term debt of the company consists of the following:

(i) $296,700 - First mortgage bonds, issued to the Company's bankers, secured by a first mortgage on the company's lands, buildings, machinery, and equipment and a first floating charge on its other assets. The bonds bear interest at 8½% per annum payable monthly and the loan is repayable by monthly instalments of $2,900.

(ii) $471,700 - A loan made to the company by the Ontario Development Corporation, secured by a second mortgage on the company's lands, buildings, machinery and equipment and a second floating charge on its other assets. This loan, which matures on July 15, 1981, bears interest at 8½% and is repayable by monthly blended payments of principal and interest of approximately $6,400.

The security for the company's demand debentures, referred to in note 1 above, ranks subsequent to the security given in connection with the debt described in this note.

3. Dividends

Cumulative dividends on Class A shares of $7.00 per share ($2,306,600 in the aggregate) are in arrears.

The charter of the company restricts the payment of dividends on Class B shares if there are arrears of dividends on the Class A shares.

4. Income taxes

In 1972 income taxes are payable only in respect of the earnings of subsidiary companies.

At December 31, 1972 losses in the amount of approximately $998,000 are available in varying amounts for carry forward purposes to reduce income taxes otherwise payable during the period 1973 to 1977. In addition, the company has available approximately $635,000 representing depreciation written in the accounts but not claimed for tax purposes for which there is no limitation on the carry forward period.

The potential income tax recoveries, with respect to the above, amounting to approximately $820,000 have not been reflected in the accompanying financial statements. The realization of these recoveries is dependent on the adequacy of profits within the carry forward period allowed for income tax purposes.

5. Remuneration of directors and senior officers

Aggregate direct remuneration paid by the companies during 1972 to directors and senior officers as defined by Section 1(25) of The Business Corporations Act, 1970 amounted to $157,000 (1971 - $142,000).

DIRECTORS	W. D. Bean G. D. Birks N. H. Cruickshank C. M. King J. W. Walker Q.C. J. D. Woods John A. Young
OFFICERS	J. D. Woods *President* John A. Young *Vice-President and Secretary-Treasurer*
HEAD OFFICE	18 Vansittart Avenue, Woodstock, Ontario
EXECUTIVE OFFICE	70 Crawford Street, Toronto
TRANSFER AGENTS	The Royal Trust Company
AUDITORS	Clarkson, Gordon & Co.
BANKERS	The Toronto-Dominion Bank
COUNSEL	McCarthy & McCarthy
OPERATING LOCATIONS	Toronto: *Kroy Unshrinkable Wools Limited* *Thomson Research Associates Limited* Woodstock: *Hosiery Division, Underwear Division,*
SALES OFFICES	Vancouver • Edmonton • Winnipeg • Toronto • Montreal • Quebec
PRODUCTS	Hosiery • Underwear • Lingerie • Sweaters

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HARVEY WOODS LIMITED

SIX MONTHS' REPORT 1972

JOCKEY

CONSOLIDATED INCOME STATEMENT

(Unaudited)

	FIRST HALF (in thousands)	
	1972	1971
Sales	$ 4,969	$ 5,220
Costs and expenses:		
Cost of sales — excluding depreciation and amortization	3,914	4,079
Marketing, general administration and shipping expenses (note No. 1)	992	1,139
Depreciation and amortization	96	107
Interest on long term debt	59	55
	5,061	5,380
(Loss) from operations	(92)	(160)
Income Taxes	19	2
	(111)	(162)
Minority interest	5	1
Net (Loss) for six months	$ (116)	(163)

NOTE: (1) A portion of marketing and admi
$191,000 in 1971) has been treated
months of the year.

(2) Results for the six months of 1971
estimates of certain expenses based or

Half-yearly statements are necessarily based partly
sults for the full year are determined and audited.

CONSOLIDATED STATEMENT OF WORKING CAPITAL

(Unaudited)	FIRST HALF (in thousands) 1972	1971
Source of Working Capital		
Decrease in portion of long term debt due within one year	$ –	$ 190
Sale of fixed assets	9	11
Increase in minority interest.	4	1
Increase in G.A.A.B. Loan	–	150
	13	352
Application of Working Capital		
Operations:		
Net Loss for six months	116	163
Depreciation and amortization	(96)	(107)
	20	56
Increase in portion of long term debt due within one year. . .	305	–
Payment of long term debt	63	258
Purchase of fixed assets	55	51
Sundry items	2	2
	445	367
(Decrease) in Working Capital	(432)	(15)
Working Capital, beginning of year.	2,146	2,408
Working Capital, end of six months	$ 1,714	$ 2,393

n expenses incurred ($158,000 in 1972 and
rred at July 1st to be absorbed in the last six

een restated to reflect for that period revised
ual for the year 1971.

nates and are subject to adjustment when the re-

HARVEY WOODS LIMITED AND SUBSIDIARY COMPANIES

FIRST HALF REPORT 1972

TO THE SHAREHOLDERS:

Your Directors submit herewith Unaudited Consolidated Statements of Income and Working Capital for the First Half of 1972.

Although First Half sales were 5% lower than for the same period last year, when the items sold in 1971 and now discontinued (Fancy Ladies' Lingerie items and some Private Label Merchandise) are eliminated, the sales on continuing lines for 1972 are ahead by 5%. During the first six weeks of the Third Quarter sales were ahead 9% of that period in 1971.

The Material Utilization Programme in the Underwear Division is fully operative and the resulting cost savings, now in effect, will start to be reflected in the Income Statement in the Fourth Quarter. The reorganization in that Division during the implementation of the programme disrupted manufacturing to some extent and some deliveries were delayed. Production is now proceeding according to plan.

Organizational changes have been made at intermediate and senior management levels which will strengthen the organization.

On Behalf of the Board of Directors,

J. D. Woods,
President.

Toronto, Ontario
August 29, 1972.